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Annual Report

For Year Ending
December 31, 1983

Alberta
AUTOMOBILE INSURANCE BOARD

CCA-08.003

CONSUMER AND CORPORATE
AFFAIRS

Office of the Minister

402 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the Honour to submit the Annual Report of the Alberta Automobile Insurance Board for the year ending December 31, 1983.

Respectfully submitted,

Constantine E. Osterman

Constantine Osterman
Minister of Consumer
and Corporate Affairs

Alberta
AUTOMOBILE INSURANCE
BOARD

7th Floor, Capitol Square, 10065 - Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1 403/427-5428

The Honorable Constantine Osterman
Minister of Consumer & Corporate Affairs
Legislative Building
Edmonton, Alberta

Honorable Madam:

Pursuant to R.S.A. 1980, Chapter 1-5, the Insurance Act, Section 344(2), we respectfully submit herewith, the twelfth report of the Alberta Automobile Insurance Board, for the year ending December 31, 1983.

.....
A. H. Wachowich, Chairman

.....
P. G. Galway

.....
J. M. Tweddle

ALBERTA AUTOMOBILE INSURANCE BOARD

1983 ANNUAL REPORT

The Alberta Automobile Insurance Board, constituted under subsection 338(1) of The Alberta Insurance Act, is empowered under section 339 thereof to investigate any matters it thinks fit respecting automobile insurance in Alberta, and to approve rates charged by insurers for compulsory automobile coverage under The Motor Vehicle Administration Act.

RATES

Insurers conducting business in Alberta are required by The Alberta Insurance Act to report their experience to a Canadian statistical plan, the results of which are compiled annually in a publication called the Green Book. The 1982 statistics in the Green Book, released in June 1983, and half-year update released in September 1983, were analyzed by the Board's actuarial consultant. These analyses were used in weighed proportions with the insurer's own statistics and those of insurance underwriting groups to establish a base for any rate maintenance or rate change to be considered by the Board. The inflationary trend factors present in the years 1979 to 1981, although abating, were still important indicators in reports of 1982 experience.

MARKET

Several factors seemed to influence insurers towards a more

aggressive stance to retain or increase their share of the market. While some rates were increased selectively by many insurers, the major trend in 1983 was for rate refinement that produced overall rate reductions.

The Facility Association is the industry's mechanism for providing insurance coverage to those consumers encountering difficulty in obtaining the same in the regular market. The Board monitors the Association's program of compulsory and physical damage coverage. The industry has vested interest in avoiding over-population of this program by placing the risks in the regular market or removing the risks when the same become acceptable to the regular market.

MEETINGS

In 1983, the Board held thirteen meetings during which 170 applications were examined. This number compares with 198 applications in 1982, 174 in 1981, 90 in 1980, and 81 in 1979. Of the sixteen applications that were declined in 1983, five were appealed, but most were reconsidered as new applications.

LIAISON

Representatives of the Automobile Insurance Board met with the executive members of the following industry associations during

1983 in order to maintain dialogue with the industry's various component groups:

Insurance Brokers Association of Alberta

Insurance Corporation of British Columbia

Insurance Bureau of Canada

Canadian Federation of Insurance Agents and Brokers

Blue Goose International Conference

Saskatchewan Government Insurance

Association of Superintendent of Insurance of the Provinces of Canada

These meetings occurred between February 17, 1983, and October 30, 1983.

INQUIRIES

Inquiries and complaints are monitored for unfair and inequitable rules and practices. Complaints are assessed for compliance with rates and rules, and are generally resolved by the provision of a detailed explanation. Appropriate action to rectify the disparity for the individual and/or the general public is taken by the Board. Of the 1,033 inquiries received by the Board office in 1983, 135 were redirected to other government departments.

BENEFITS

The Board maintains its recommendation for an increase in the compulsory Third Party Liability limit of $100,000 to at least $300,000. The percentage in increase to $300,000 is approximately 10% of the Third Party Liability premium.

STAFF

Edwin Collins, F.I.I.C., in office as Secretary to the Board since May 19, 1982, reaches retirement age in September, 1984. Betty McKay has been employed as clerk-typist since May 23, 1983.

MEMBERSHIP ON THE BOARD

The 1978-1983 term of Board member William G. Stephen expired on January 31, 1983.

Board member John Malcolm Tweddle, F.C.A. joined the Board in March for a term ending January 31, 1986.

The Board recommends a fourth member be appointed as soon as possible.

GENERAL

The exemption from the provisions of the Individual Rights Protection Act to automobile insurers has been extended from December 31, 1983, until April 16, 1985, by the passage of the Alberta Regulation 463/83. A statistical advisory committee of the Association of Superintendent of Insurance for the Provinces of Canada, in co-operation with the insurance industry, has developed a statistical plan according to which insurers have recently started to code automobile business written and losses incurred. The accumulating data will, in due course, be used to develop, if possible, a rating program that eliminates or reduces the use of age, sex and marital status as criteria in rate making. The Board's legal counsel, Shelley Miller, has undertaken a study of insurance programs in Saskatchewan and British Columbia as part of the Board's need to being fully aware of the alternatives, changing conditions and other facets to effectively execute its prime function of regulating rates.

Complaints about the penalty arising from early termination of an automobile policy has prompted the Board to impose a ceiling while continuing to discover and/or formulate a plan compatible with current realities.